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Senate Bill _____
By _____

House No. HB1510
By Kisber

AN ACT to provide for state and local approval of certain property tax incentive agreements, and to amend Tennessee Code Annotated, Title 4, Chapter 17 and Section 67-5-203.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 4-17-301, is amended by deleting the last two sentences of the section and substituting instead the following:

It is the intent of this part to provide for state and local approval of property tax incentives for economic development and other public purposes.

SECTION 2. Tennessee Code Annotated, Section 4-17-302, is amended by deleting the section in its entirety and substituting instead the following:

As used in this part:

(1) "Property tax incentive agreement" means an agreement between a private entity and local government agency which permits use of specified property of the local government or its agencies for business or commercial purposes of the private entity, in order to promote economic development or other public purposes, and which has the

effect of reducing property taxes on such property below amounts which would otherwise be due if the property were owned by the private entity; and

(2) "Property tax incentive agreement" includes, but is not limited to, leases or other agreements with private entities under the industrial development program provided in title 7, chapter 53 or the health, educational, and housing facility program provided in title 48, chapter 3, or redevelopment plans and agreements containing tax increment financing provisions under title 13, chapter 20.

SECTION 3. Tennessee Code Annotated, Section 4-17-303, is amended by deleting the section and substituting instead the following:

Each property tax incentive agreement shall be reduced to writing and submitted for approval of the building finance committee created by Section 4-14-109. An agreement is not enforceable unless a certificate evidencing approval by the committee is obtained. In determining whether to approve an agreement, the committee shall be guided by the same considerations of public purpose and necessity which govern its review of projects proposed under Section 7-55-105. In reviewing the property tax aspects of an agreement the committee shall apply the criteria approved by the state board of equalization. No agreement shall be approved unless it contains or incorporates provisions for payments in lieu of taxes acceptable to any city or county where the property will be located at the time of the agreement, as manifested by resolution duly adopted by the governing body of the city or county.

SECTION 4. Tennessee Code Annotated, Sections 4-17-304 and 4-17-305, are deleted.

SECTION 5. Tennessee Code Annotated, Section 67-5-203, is amended by adding the following new subsection:

Property of a county or any incorporated city or town which is the subject of an economic development agreement approved pursuant to Section 4-17-303, shall be

exempt from taxation as property used for public or corporation purposes, and interests in such property created by lease agreements which are approved pursuant to Section 4-17-303 shall not be assessable.

SECTION 6. This act shall take effect on January 1, 1996, and shall not affect rights or duties that matured, liabilities or penalties that were incurred, or proceedings begun before its effective date.